

**RUDD-ROCKFORD-MARBLE ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2010 Meeting)

Harm Eggena III	President	2013
Tim Trettin		2011
Angie Johnson		2011
Bea Volk		2013
Wendy Fullerton		2011

(After September 2010 Election)

Bea Volk	President	2013
Angie Johnson		2011
Harm Eggena III		2013
Tim Trettin		2011
Wendy Fullerton		2011

School Officials

Paul Bisgard	Superintendent
Angie DeBuhr	District Secretary
Michael Kalvig	Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Rudd-Rockford-Marble Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Rudd-Rockford-Marble Rock Community School District, Rockford, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

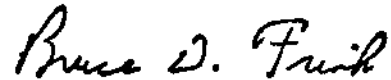
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Rudd-Rockford-Marble Rock Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2012 on our consideration of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rudd-Rockford-Marble Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

January 25, 2012

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Rudd-Rockford-Marble Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,884,792 in fiscal year 2010 to \$4,999,002 in fiscal year 2011 (a 2% increase), while General Fund expenditures decreased from \$4,946,202 in fiscal year 2010 to \$4,917,364 in fiscal year 2011 (a 1% decrease).
- The increase in General Fund revenues was primarily attributable to a restoration of prior year levels of state aid and a modest increase in property taxes. The decrease in expenditures was due primarily to an decreases in all areas as the District continues a series of cost containment measures. The General Fund balance increased by \$81,638 in the past fiscal year, a 12% increase.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Rudd-Rockford-Marble Rock Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Rudd-Rockford-Marble Rock Community School District operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund as well as a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Rudd-Rockford-Marble Rock Community School District Annual Financial Report

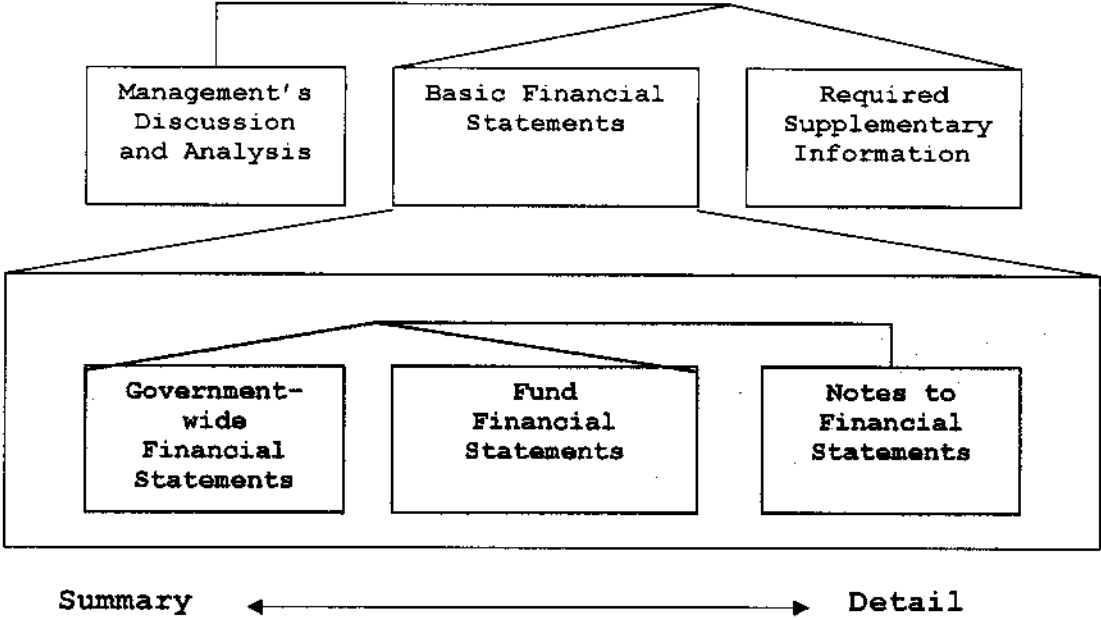


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<p style="text-align: center;">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 4,547	4,409	(68)	(110)	4,479	4,299	4.19%
Capital assets	3,927	3,517	3	5	3,930	3,522	11.58%
Total assets	8,474	7,926	(65)	(105)	8,409	7,821	7.52%
Current liabilities	3,266	3,035	23	-	3,289	3,035	8.37%
Non-current liabilities	322	220	-	-	322	220	46.36%
Total liabilities	3,588	3,255	23	-	3,611	3,255	10.94%
Net Assets							
Invested in capital assets, net of related debt	3,716	3,517	3	5	3,719	3,522	5.59%
Nonspendable	47	-	-	-	47	-	100.00%
Restricted	558	586	-	-	558	586	-4.78%
Unrestricted	565	568	(91)	(110)	474	458	3.49%
Total net assets	\$ 4,886	4,671	(88)	(105)	4,798	4,566	5.08%

The decrease in unrestricted net assets is primarily due to the decrease in the General Fund. Investment in capital assets grew as the District used statewide sales, services and use tax monies to make facility improvements.

Unrestricted assets rose slightly as the District's School Nutrition Fund posted its first profit in many years. This relieved the General Fund of additional funding to keep the Nutrition Fund afloat.

The investment in capital assets grew as the District invested over \$700,000 in equipment purchases and building improvements. These were primarily paid for with existing funds. The only additional borrowing was \$242,604 to fund laptops for a One to One Laptop Initiative for secondary students.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

Changes in Net Assets

(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service and sales	\$ 259	252	143	159	402	411	-2.19%
Operating grants, contributions and restricted interest	1,218	1,289	127	123	1,345	1,412	-4.75%
General revenues:							
Property tax	2,423	2,329	-	-	2,423	2,329	4.04%
Statewide sales, services and use tax	351	336	-	-	351	336	4.46%
Unrestricted state grants	1,731	1,495	-	-	1,731	1,495	15.79%
Unrestricted investment earnings	4	4	-	-	4	4	0.00%
Other	11	54	-	-	11	54	-79.63%
Total revenues	<u>5,997</u>	<u>5,759</u>	<u>270</u>	<u>282</u>	<u>6,267</u>	<u>6,041</u>	<u>3.74%</u>
Program expenses:							
Governmental activities:							
Instruction	3,453	3,669	-	-	3,453	3,669	-5.89%
Support services	1,647	1,586	-	-	1,647	1,586	3.85%
Non-instructional programs	5	-	253	284	258	284	-9.15%
Other expenses	678	684	-	-	678	684	-0.88%
Total expenses	<u>5,783</u>	<u>5,939</u>	<u>253</u>	<u>284</u>	<u>6,036</u>	<u>6,223</u>	<u>-3.00%</u>
Change in net assets	\$ 214	(180)	17	(2)	231	(182)	-226.92%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,759,042 and expenses were \$5,938,616 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,453	3,669	-5.89%	2,277	2,375	-4.13%
Support services	1,647	1,586	3.85%	1,580	1,565	0.96%
Non-instructional programs	5	-	100.00%	5	-	100.00%
Other expenses	678	684	-0.88%	445	458	-2.84%
Totals	<u>\$ 5,783</u>	<u>5,939</u>	<u>-2.63%</u>	<u>4,307</u>	<u>4,398</u>	<u>-2.07%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$258,581.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$705,287.
- The net cost of governmental activities was financed with \$2,423,953 in property tax and \$1,730,956 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$269,652 and expenses totaled \$252,816. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Rudd-Rockford-Marble Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,280,580, a seven percent decrease from last year's ending fund balances of \$1,373,467. The primary reason was the decrease in the Capital Projects, Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's General Fund balance increased primarily due to continued cost containment measures.
- The District's Capital Projects, Statewide Sales, Services and Use Tax Fund collected over \$350,000 in taxes. This money is being used for infrastructure projects and equipment purchases.
- The District used monies saved in the Capital Projects, Physical Plant and Equipment Levy to purchase equipment in several areas.

Proprietary Fund Highlights

The District's Nutrition Fund increased for the first time in many years. Cost control measures are yielding positive results.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's receipts were \$136,957 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the instruction function, due to a June 2011 purchase of \$242,604 laptop computers. The District did not exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested over \$3.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents an increase of 12% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$304,420.

The original cost of the District's capital assets was \$7,043,173. Governmental funds account for \$6,938,474, with the remainder of \$104,699 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 118	118	-	-	118	118	0.00%
Site improvements	391	316	-	-	391	316	23.73%
Buildings	2,690	2,790	-	-	2,690	2,790	-3.58%
Furniture and equipment	728	293	3	5	731	298	145.30%
Totals	\$ 3,927	3,517	3	5	3,930	3,522	11.58%

Long-Term Debt

The District's only long-term debt are capital lease payable early retirement obligations and other postemployment benefits. In June 2011 the District entered into a \$242,604 lease purchase agreement with Apple Computer for laptops for secondary students. The other items are more fully described in the notes to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
Early retirement	\$ 63	196	-67.86%
Net OPEB liability	48	24	200.00%
Capital lease payable	211	-	100.00%
Total	\$ 322	240	34.17%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has a solvency ratio of 12%. This allows some security from future state aid cuts that come after the budget year is already started. Maintenance of a healthy solvency ratio will be critical to the District's financial future.
- Adequate allowable growth is a necessity for the District to maintain its current financial position. 2% and less are inadequate increases.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Midyear state aid cuts will continue to have a major negative impact on the District. In order to recapture the cash lost from these cuts, the District will be forced to levy additional property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Kalvig, Business Manager, Rudd-Rockford-Marble Rock Community School District, 1460 Highway 147, Rockford, IA 50468.

Basic Financial Statements

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 1,670,539	-	1,670,539
Receivables:			
Property tax:			
Current year	32,393	-	32,393
Succeeding year	2,523,152	-	2,523,152
Interfund receivable	70,281	(70,281)	-
Due from other governments	132,179	-	132,179
Other receivables	71,948	264	72,212
Prepaid expenses	46,814	2,280	49,094
Capital assets, net of accumulated depreciation	3,926,798	3,127	3,929,925
Total assets	<u>8,474,104</u>	<u>(64,610)</u>	<u>8,409,494</u>
Liabilities			
Accounts payable	132,112	-	132,112
Accrued payroll and benefits	484,756	20,581	505,337
Unearned revenue	-	2,728	2,728
Deferred revenue:			
Succeeding year property tax	2,523,152	-	2,523,152
Federal programs	126,706	-	126,706
Long-term liabilities:			
Portion due within one year:			
Capital lease payable	58,942	-	58,942
Early retirement	41,039	-	41,039
Portion due after one year:			
Capital lease payable	152,324	-	152,324
Early retirement	21,803	-	21,803
Net OPEB liability	47,619	-	47,619
Total liabilities	<u>3,588,453</u>	<u>23,309</u>	<u>3,611,762</u>
Net assets			
Invested in capital assets, net of related debt	3,715,532	3,127	3,718,659
Nonspendable:			
Prepaid expenses	46,814	-	46,814
Restricted for:			
Categorical funding	91,037	-	91,037
Student activities	56,791	-	56,791
Management levy	120,348	-	120,348
School infrastructure	150,847	-	150,847
Physical plant and equipment	139,522	-	139,522
Unrestricted	564,760	(91,046)	473,714
Total net assets	<u>\$ 4,885,651</u>	<u>(87,919)</u>	<u>4,797,732</u>

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 3,452,852	258,581	917,371	(2,276,900)	-	(2,276,900)
Support services:						
Student services	136,175	-	-	(136,175)	-	(136,175)
Instructional staff services	223,150	-	-	(223,150)	-	(223,150)
Administration services	501,436	-	-	(501,436)	-	(501,436)
Operation and maintenance of plant services	485,975	-	66,967	(419,008)	-	(419,008)
Transportation services	300,398	-	-	(300,398)	-	(300,398)
	1,647,134	-	66,967	(1,580,167)	-	(1,580,167)
Non-instructional programs:						
Food service operations	5,006	-	-	(5,006)	-	(5,006)
Other expenditures:						
AEA flowthrough	227,040	-	227,040	-	-	-
Facilities acquisition and construction	184,705	-	6,540	(178,165)	-	(178,165)
Depreciation (unallocated)*	266,412	-	-	(266,412)	-	(266,412)
	678,157	-	233,580	(444,577)	-	(444,577)
Total governmental activities	5,783,149	258,581	1,217,918	(4,306,650)	-	(4,306,650)

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	252,816	142,687	126,965	16,836
Total	\$ 6,035,965	401,268	1,344,883	(4,289,814)
General revenues:				
Property tax levied for:				
General purposes			\$ 2,049,476	-
Management			200,139	-
Capital outlay			174,338	-
Statewide sales, services and use tax			351,284	-
Unrestricted state grants			1,730,956	-
Unrestricted investment earnings			3,632	-
Other			11,119	-
Total general revenue			4,520,944	4,520,944
Change in net assets		214,294	16,836	231,130
Net assets beginning of year		4,671,357	(104,755)	4,566,602
Net assets end of year		\$ 4,885,651	(87,919)	4,797,732

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

Liabilities and Fund Balance

	General	Student Activity	Management Levy	Capital Projects				Total
				Statewide Sales	Physical Plant and Equipment	Services and Use Tax	Levy	
Liabilities:								
Accounts payable	\$ 124,768	-	-	7,344	-	-	-	132,112
Accrued payroll and benefits	484,756	-	-	-	-	-	-	484,756
Deferred revenue:								
Succeeding year property tax	2,140,116	-	200,000	-	183,036	-	-	2,523,152
Federal programs	126,706	-	-	-	-	-	-	126,706
Total liabilities	2,876,346	-	200,000	7,344	183,036	-	-	3,266,726
Fund balances:								
Nonspendable:								
Prepaid expenses	42,345	-	4,469	-	-	-	-	46,814
Restricted for:								
Categorical funding	91,037	-	-	-	-	-	-	91,037
Student activities	-	56,791	-	-	-	-	-	56,791
Management levy	-	-	183,190	-	-	-	-	183,190
School infrastructure	-	-	-	150,847	-	-	-	150,847
Physical plant and equipment	-	-	-	-	-	139,522	-	139,522
Unassigned	612,379	-	-	-	-	-	-	612,379
Total fund balances	745,761	56,791	187,659	150,847	139,522	-	-	1,280,580
Total liabilities and fund balance	\$ 3,622,107	56,791	387,659	158,191	322,558	-	-	4,547,306

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 1,280,580
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,926,798
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.

Capital lease payable	\$ (211,266)	
Early retirement	(62,842)	
Net OPEB liability	(47,619)	(321,727)

Net assets of governmental activities (Exhibit A)	<u>\$ 4,885,651</u>
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RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statowide Sales Services and Use Tax	Physical Plant and Equipment Levy				
Revenues:									
Local sources:									
Local tax	\$ 2,049,476	-	200,138	351,284	174,337			-	2,775,235
Tuition	243,758	-	-	-	-			-	243,758
Other	46,923	199,175	9,900	6,540	52,629			-	315,167
State sources	2,371,012	-	112	-	4,326			-	2,375,450
Federal sources	287,833	-	-	-	-			-	287,833
Total revenues	4,999,002	199,175	210,150	357,824	231,292			-	5,997,443
Expenditures:									
Current:									
Instruction	3,307,941	184,445	108,096	380,492	-			-	3,980,974
Support services:									
Student services	135,762	-	413	-	-			-	136,175
Instructional staff services	71,343	-	105	151,702	76,283			-	299,433
Administration services	486,865	-	14,571	-	-			-	501,436
Operation and maintenance and plant services	422,118	-	61,552	2,305	-			-	485,975
Transportation services	266,295	-	32,915	-	-			-	299,210
	1,382,383	-	109,556	154,007	76,283			-	1,722,229

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2011

	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Capital Projects Physical Plant and Equipment Levy	Debt Service	Total
Non-instructional programs:							
Food service operations	-	-	4,826	180	-	-	5,006
Other expenditures:							
AEA flowthrough	227,040	-	-	-	-	-	227,040
Facilities acquisition and construction services	-	-	-	267,673	98,674	-	366,347
Long-term debt:							
Principal	-	-	-	-	-	31,338	31,338
Total expenditures	227,040	-	-	267,673	98,674	31,338	624,725
	4,917,364	184,445	222,478	802,352	174,957	31,338	6,332,934
Excess (deficiency) of revenues over (under) expenditures	81,638	14,730	(12,328)	(444,528)	56,335	(31,338)	(335,491)
Other financing sources (uses):							
Capital lease proceeds	-	-	-	242,604	-	-	242,604
Operating transfers in	-	-	-	-	-	31,338	31,338
Operating transfers (out)	-	-	-	(31,338)	-	-	(31,338)
	-	-	-	211,266	-	31,338	242,604
Change in fund balances	81,638	14,730	(12,328)	(233,262)	56,335	-	(92,887)
Fund balances beginning of year	664,123	42,061	199,987	384,109	83,187	-	1,373,467
Fund balances end of year	\$ 745,761	56,791	187,659	150,847	139,522	-	1,280,580

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ (92,887)

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of depreciation expense in the year is as follows:

Capital outlay	\$ 711,930	
Depreciation expense	<u>(302,518)</u>	409,412

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Proceeds of capital lease	(242,604)	
Repayment of principal	<u>31,338</u>	(211,266)

Some expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	132,786	
Other postemployment benefits	<u>(23,750)</u>	109,036

Change in net assets of governmental activities (Exhibit B) \$ 214,294

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 142,687
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	89,513
Benefits	36,628
Services	25
Supplies	124,748
Depreciation	1,902
Total operating expenses	<u>252,816</u>
Operating (loss)	<u>(110,129)</u>
Non-operating revenues:	
State sources	2,560
Federal sources	124,160
Interest income	245
	<u>126,965</u>
Changes in fund net assets	16,836
Net assets beginning of year	<u>(104,755)</u>
Net assets end of year	<u>\$ (87,919)</u>

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 145,151
Cash payments to employees for services	(105,560)
Cash payments to suppliers for goods or services	<u>(143,916)</u>
Net cash (used by) operating activities	<u>(104,325)</u>
 State grants received	 2,560
Federal grants received	<u>101,520</u>
Net cash provided by non-capital financing activities	<u>104,080</u>
 Cash flows from investing activities:	
Interest on investments	<u>245</u>
 Net change in cash and cash equivalents	 -
 Cash and cash equivalents beginning of year	 <u>-</u>
 Cash and cash equivalents end of year	 <u>\$ -</u>
 Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (110,129)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	1,902
Commodities used	22,640
(Increase) in other receivables	(264)
(Increase) in prepaid expenses	(2,280)
(Decrease) in interfund payable	(39,503)
Increase in accrued payroll and benefits	20,581
Increase in unearned revenue	<u>2,728</u>
	<u>\$ (104,325)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$22,640.

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Rudd-Rockford-Marble Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Rudd, Rockford and Marble Rock, Iowa, and agricultural territory in Cerro Gordo, Floyd and Mitchell Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Rudd-Rockford-Marble Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Rudd-Rockford-Marble Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Floyd County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects, Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund, Statewide Sales, Services and Use Tax Levy is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operation. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonexpendable - Amounts that are not in spendable form, prepaid insurance.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the instruction function. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 118,000	-	-	118,000
Capital assets being depreciated:				
Site Improvements	533,233	98,239	-	631,472
Buildings	4,451,416	-	-	4,451,416
Furniture and Equipment	1,166,645	613,691	42,750	1,737,586
Total capital assets being depreciated	6,151,294	711,930	42,750	6,820,474
Less accumulated depreciation for:				
Site Improvements	217,509	23,035	-	240,544
Buildings	1,661,197	100,411	-	1,761,608
Furniture and Equipment	873,202	179,072	42,750	1,009,524
Total accumulated depreciation	2,751,908	302,518	42,750	3,011,676
Total capital assets being depreciated, net	3,399,386	409,412	-	3,808,798
Governmental activities, capital assets, net	\$ 3,517,386	409,412	-	3,926,798
Business type activities:				
Furniture and equipment	\$ 104,699	-	-	104,699
Less accumulated depreciation	99,670	1,902	-	101,572
Business type activities capital assets, net	\$ 5,029	(1,902)	-	3,127
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 36,106
Unallocated				266,412
				<u>\$ 302,518</u>
Business Type activities:				
Food service operations				<u>\$ 1,902</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Computer lease payable	\$ -	242,604	31,338	211,266	58,942
Net OPEB Liability	23,869	23,750	-	47,619	-
Early Retirement	195,627	-	132,785	62,842	41,039
Total	<u>\$219,496</u>	<u>266,354</u>	<u>164,123</u>	<u>321,727</u>	<u>99,981</u>

Capital Lease Payable

During the year ended June 30, 2011, the District entered into a \$242,604 lease agreement to provide funds for the purchase of laptop computers. The interest is 1.9% annum and are payable from the Capital Projects, Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payable of June 15, 2011</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 58,942	3,735	62,677
2013	60,067	2,610	62,677
2014	61,213	1,464	62,677
2015	<u>31,044</u>	<u>295</u>	<u>31,339</u>
Total	<u>\$211,266</u>	<u>8,104</u>	<u>219,370</u>

During the year ended June 30, 2011, the District made a principal payment of \$31,338 as per the agreement.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$201,909, \$176,569, and \$197,899 respectively, equal to the required contributions for each year.

(6) Risk Management

Rudd-Rockford-Marble Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$227,040 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Financial Condition

The District's School Nutrition Fund had a deficit fund balance of \$87,919 at June 30, 2011.

(9) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

General	School Nutrition	<u>\$70,281</u>
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The General Fund has loaned the School Nutrition Fund \$70,281 to offset cash shortfalls. No repayment plan has been made.

(10) Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is \$22,000 maximum, based on years of service, plus one year of single health insurance premiums. A liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

(11) Contingencies

The District is involved in an employment dispute with a terminated employee. District legal counsel has not made a representation as to probable outcome of the case, but the District's liability coverage is estimated to be more than adequate if the District should encounter an unfavorable outcome.

(12) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 67 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$33,253
Interest on net OPEB Obligation	597
Adjustment to annual required contribution	(2,579)
Annual OPEB Cost	31,271
Contributions made	(7,521)
Increase in net OPEB obligation	23,750
Net OPEB obligation beginning of year	23,869
Net OPEB obligation end of year	\$47,619

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District implicitly contributed \$7,521 to the medical year.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$31,017	23.0%	\$23,869
June 30, 2011	\$31,271	24.1%	\$47,619

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$225,674, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$225,674. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,019,000 and the ratio of the UAAL to covered payroll was 7.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	83,187
Change in fund type classification per implementation of GASB Statement No. 54	<u>83,187</u>	<u>(83,187)</u>
Balances July 1, 2010, as restated	<u>\$83,187</u>	<u>-</u>

(14) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	<u>\$31,338</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 3,334,160	142,932	3,477,092	3,407,600	3,407,600	69,492
State sources	2,375,450	2,560	2,378,010	2,592,452	2,592,452	(214,442)
Federal sources	287,833	124,160	411,993	404,000	404,000	7,993
Total revenues	<u>5,997,443</u>	<u>269,652</u>	<u>6,267,095</u>	<u>6,404,052</u>	<u>6,404,052</u>	<u>(136,957)</u>
Expenditures/Expenses:						
Instruction	3,980,974	-	3,980,974	3,887,500	3,887,500	(93,474)
Support services	1,722,229	-	1,722,229	1,760,000	1,760,000	37,771
Non-instructional programs	5,006	252,816	257,822	290,000	290,000	32,178
Other expenditures	624,725	-	624,725	705,321	705,321	80,596
Total expenditures/expenses	<u>6,332,934</u>	<u>252,816</u>	<u>6,585,750</u>	<u>6,642,821</u>	<u>6,642,821</u>	<u>57,071</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(335,491)	16,836	(318,655)	(238,769)	(238,769)	(79,886)
Other financing sources (uses)	<u>242,604</u>	<u>-</u>	<u>242,604</u>	<u>-</u>	<u>-</u>	<u>242,604</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(92,887)	16,836	(76,051)	(238,769)	(238,769)	162,718
Balance beginning of year	<u>1,373,467</u>	<u>(104,755)</u>	<u>1,268,712</u>	<u>1,075,515</u>	<u>1,075,515</u>	<u>193,197</u>
Balance end of year	<u>\$ 1,280,580</u>	<u>(87,919)</u>	<u>1,192,661</u>	<u>836,746</u>	<u>836,746</u>	<u>355,915</u>

See accompanying independent auditor's report.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the instruction function. The District did not exceed its General Fund unspent authorized budget.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (CAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
2010	Jul 1, 2009	\$0	\$238	\$238	0.0%	\$2,713	8.8%
2011	Jul 1, 2009	\$0	\$226	\$226	0.0%	\$3,019	7.5%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 6,365	37,684	35,359	8,690
Football	-	8,264	6,127	2,137
Baseball	-	4,324	2,264	2,060
Girls Basketball	-	2,845	2,546	299
Volleyball	-	4,716	1,896	2,820
Softball	-	3,729	3,156	573
Warrior VBC	-	1,990	1,980	10
Cheerleaders	1,164	3,133	3,337	960
Concessions	-	23,579	23,579	-
Drama	112	7,003	4,236	2,879
FFA	6,425	38,703	35,310	9,818
Peer Mediation	27	-	27	-
MS Student Council	836	513	386	963
Instrumental Music	2,417	28,120	26,856	3,681
Music Trip	820	-	-	820
Vocal Music	4,150	405	700	3,855
Pepsi Account	76	-	76	-
Annual	959	7,075	7,994	40
R Club	269	-	269	-
SADD	486	-	486	-
Spanish Club	1,951	172	39	2,084
Speech	66	-	-	66
Student Council	2,661	826	2,124	1,363
Weightlifting	-	-	-	-
UN Model Group	2,041	-	4	2,037
RRMR Elementary	4,922	3,259	1,822	6,359
Coca Cola	1,741	4,268	4,337	1,672
Class of 2011	2,259	1,761	4,020	-
Class of 2012	-	7,632	5,816	1,816
Interest	-	305	-	305
Fitness Center	2,314	8,869	9,699	1,484
Total	\$ 42,061	199,175	184,445	56,791

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Rudd-Rockford-Marble Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Rudd-Rockford-Marble Rock Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rudd-Rockford-Marble Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Rudd-Rockford-Marble Rock Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Rudd-Rockford-Marble Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Rudd-Rockford-Marble Rock Community School District and other parties to whom Rudd-Rockford-Marble Rock Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Rudd-Rockford-Marble Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

January 25, 2012

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

- I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the Instruction function. The District did not exceed its unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. The District purchased \$242,604 of laptop computers in June 2011 for its one to one laptop initiative. This was in order to provide adequate preparation time.

Conclusion - Response accepted.

II-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-I-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-K-11 Financial Condition - We noted that the District's School Nutrition Fund had a deficit fund balance of \$87,919 at June 30, 2011.

Recommendation - We recommend that the District investigate alternatives to return this fund to a sound financial position.

Response - We will investigate alternatives as recommended.

Conclusion - Response accepted.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

- II-L-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-M-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$384,109
Revenue/transfers in:		
Sales tax revenues	\$351,284	
Other local revenues	6,540	
Capital lease proceeds	<u>242,604</u>	<u>600,428</u>
Expenditures/transfers out:		
School infrastructure construction	267,672	
Other	534,679	
Transfers to other funds:		
Debt service fund	<u>31,339</u>	<u>833,690</u>
Ending balance		<u>\$150,847</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.